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Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554  
JAN 29 1997

Federal Communications Commission  
Office of Secretary

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket 96-262
	)	
Price Cap Performance Review	)	CC Docket 94-1
for Local Exchange Carriers	)	
	)	
Transport and Rate Structure	)	CC Docket 91-213
and Pricing	)	
	)	
Usage of the Public Switched	)	CC Docket 96-263
Network by Information Service)	)	
and Internet Access Providers )	)	

**Comments of General Communication, Inc.**

General Communication, Inc. (GCI) hereby submits comments in response to the Notice of Proposed Rulemaking, Third Report and Order and Notice of Inquiry (Notice)<sup>1</sup> issued in this matter.

**Introduction**

The Commission proposes to limit the scope of this proceeding to incumbent LECs subject to price cap regulation, with limited exceptions.<sup>2</sup> The Commission states that the need for reform is greatest for these LECs and that these LECs provide more than 92 percent of the total incumbent LEC access lines.

GCI urges the Commission not to neglect access reform

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<sup>1</sup>Access Charge Reform, FCC 96-488, released December 24, 1996.

<sup>2</sup>Id., Paragraph 50.

for other, rate-of-return LECs. There are many reasons that access charge reform is as important for rate-of-return LECs as it is for price cap LECs.

The Commission should also take care that its access charge reform for price cap LECs not adversely affect interexchange competition in areas where there is no reform. Regional carriers such as GCI, that do not provide service to any areas served by price cap LECs and will thus get no benefit from the reform, should certainly not be adversely affected by having to absorb a grossly disproportionate share of the costs of the reforms.

The Commission should apply revised access charges to information service providers. Payment of access charges by information services providers is consistent with fair competition.

**I. Access Charge Reform is Critical in all Areas of the Nation, Including Rural Alaska**

Although the Commission states that reform is most important for price cap LECs because those LECs will be the first to be subject to competition from the availability of unbundled network elements, in another sense reform may even be more important in those areas where unbundled network elements are not available. Access charge reform is important to LECs that will face competition, but it is also very important to interexchange carriers that pay access

charges and already face competition. Interexchange competition exists in the rural areas where unbundled network elements may not soon be available. In those locations, interexchange carriers may not have the unbundled network elements available as an alternative means of access. Such carriers need access charge reform even more than do carriers that can use unbundled elements as a means of access, at least for their own local customers.

Interexchange competition is now available in very rural areas. As discussed below, competition in these areas is the very best means to ensure high quality service at low rates. To the extent that the Commission neglects access charge reform in these areas, interexchange competition will suffer.

The importance of fostering competition in rural areas is vividly demonstrated by recent history as documented in the Alaska Joint Board proceeding.<sup>3</sup> Alascom, Inc. had exclusive authority to serve rural "bush"<sup>4</sup> Alaska for over twenty years, and Alascom received tremendous subsidies over that period. Nonetheless, the citizens that live in the

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<sup>3</sup>Integration of Rates and Services, 9 FCC Rcd 3023 (1994), adopting Final Recommended Decision, 9 FCC Rcd 2197 (1994).

<sup>4</sup>The Alaska bush is defined as places with less than a thousand people with an existing MTS earth station. Policies Governing the Ownership of Domestic Satellite Earth Stations in the Bush Communities of Alaska, 96 FCC 2d 522, 541 (1984).

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locations where Alascom had exclusive authority receive the worst quality interexchange telephone service in Alaska. The same earth stations with analog technology that were installed in the late 1970's and early 1980's are still in service, even though Alascom received over \$1 billion in subsidies to provide service. Voice communications is difficult between these location, and it is sometimes impossible to send faxes between them because of the antiquated technology. Due to the lack of competition or even the threat of competition, service to those locations is disastrous.

GCI fought for over five years to open bush Alaska to competitive interexchange service.<sup>5</sup> Over that period, GCI worked with Scientific Atlanta to develop a low cost, easily upgradeable, small DAMA earth station to improve service to the Alaska bush. Finally, the Commission and the Alaska Public Utilities Commission granted GCI a partial waiver to allow GCI to deploy and operate up to 50 DAMA earth stations in rural Alaska.<sup>6</sup>

In response, Alascom almost immediately announced that it will deploy new technology throughout its entire network

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<sup>5</sup>GCI Petition for Rulemaking, RM-7246, filed January 10, 1990.

<sup>6</sup>Petition of General Communication, Inc. for a Partial Waiver of the Bush Earth Station Policy, File No. 122-SAT-WAIV-95, Released January 30, 1996.

in Alaska, and has started, albeit slowly to install the upgrades.<sup>7</sup> The mere threat of competition from GCI has produced benefits for telephone service in rural Alaska that had not been accomplished in 20 years of subsidized, monopoly service.

This history should remind the Commission that competition is as important in rural areas as in urban areas. Indeed, rural areas may have the most to gain from competition, because these are the areas that do not always have the same services available as urban areas.

The importance of this lesson for the current proceeding should be evident: interexchange competition is important in all areas. Access charge reform is important to interexchange competition. Access charge reform for non-price cap LECs should be considered promptly, if not considered in this proceeding.

**II. Any Costs Associated With Access Charge Reform For Price Cap LECs Should Not Be Recovered From Carriers That Do Not Benefit From the Reforms.**

The Commission discusses various recovery mechanisms for the difference between revenue generated by access charges based on embedded costs versus access charges based on forward looking costs. The recovery mechanisms discussed include amortization of costs and the possibility of a

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<sup>7</sup>Interestingly, the upgrades roughly parallel the GCI installations.

surcharge similar to a universal service fund.

As an initial matter, GCI opposes any special recovery mechanisms. GCI disagrees with the claims of incumbent LECs that recovery of embedded costs is required.<sup>8</sup>

However, in the event that the Commission does determine that some recovery is appropriate, GCI urges the Commission to design a recovery mechanism that imposes costs on carriers that receive the benefits from the reform. The price of access for price cap LECs is already lower than for most other LECs. Reform will lower the rates even more. If a special recovery mechanism is allowed, it should be paid by entities that receive the benefits of the lower rates.<sup>9</sup> Any special surcharge should not be paid in conjunction with access to other LECs, where access charges are already higher and there is no reductions through reform. A regional carrier, such as GCI, that does not provide service to any areas served by a price cap LEC, should not have to pay the surcharge or contribute to the cost of reform for

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<sup>8</sup>GCI will not address this issue in depth because GCI anticipates that it will be fully discussed by other parties.

<sup>9</sup>The Telecommunication Act and the Commission require all interexchange carriers to geographically average their rates. Since GCI competes against AT&T Alascom, GCI must compete against national rates. If the majority of access charges are reduced for carriers such as AT&T, but the access charge rates paid by GCI on one end of every call either remain the same or increase, GCI is not receiving any benefit from the reform and should not be required to pay the additional cost of reducing its competitors access rates.

price cap LECs in any way.<sup>10</sup>

**III. The Commission's Proposal for Part 69 Revisions  
Regarding Access Charges Need Further Modification.**

The Commission proposes to eliminate portions of Part 69 regarding the separate equal access rate element. GCI agrees with the Commission's intent, but several of the sections identified by the Commission should be modified, rather than eliminated, to achieve that intent.

Section 69.107, which permits carrier to establish an equal access element, should be deleted as proposed by the Commission. However, Sections 69.308 and 69.410, which the Commission says should be deleted because they allocate to the equal access element actually provide that the costs are allocated to the Local Switching element unless the LEC has a separate Equal Access element. Those sections should be retained but modified to provide that the costs are assigned to the Local Switching element. Additionally, the reference to Section 69.308 in Section 69.309 and the reference to Section 69.410 in Section 69.411 should also be retained.

With this modification, LECs that have not yet recovered equal access costs will still be able to recover

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<sup>10</sup>Once the Commission addresses access charge reform for non-price cap LECs, all providers should make appropriate payments.

those costs through the Local Switching element.<sup>11</sup> Recovery through the Local Switching element is preferable to the general allocation that would otherwise be applicable.

#### **IV. Information Services Should be Subject to Reformed Access Charges**

The Commission tentatively concluded in its Notice that information service providers (ISPs) should not be required to pay access charges "as currently constituted."<sup>12</sup> Although that conclusion may be reasonable in a narrow sense, it is somewhat irrelevant given the fact that the very purpose of this proceeding is to reform access charges.<sup>13</sup> GCI believes that ISPs should be subject to access charges, as reformed in this proceeding.

Use of the Internet for voice communication is much more available than the Commission seems to realize and the technology is certain to improve further in the near future. It is now possible to download software from the Internet and use that software to complete voice communications between a computer at the originating end and a normal

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<sup>11</sup>In some areas, such as the Alaska bush, where facilities based interexchange competition has been prohibited, many LECs have not yet implemented equal access.

<sup>12</sup>Access Charge Reform, paragraph 288.

<sup>13</sup>GCI is aware that comments on the issues relating to the Internet are not due today. However, GCI believes that it is important that the Commission consider in adopting access reform a system that would make sense for all providers, including ISPs.

landline telephone at the terminating end.<sup>14</sup> The voice quality is quite good. The provider of the software intends to institute a charge of about 5 cents/minute after a demonstration phase. The provider of this service can hardly be distinguished from an interexchange carrier, yet the provider escapes access charges.

The use of Internet for voice communications is likely to spread significantly. Books have been written solely on that subject. It is entirely appropriate to allow Internet providers to compete directly with interexchange carriers, but to exempt the Internet providers from the same charges placed on interexchange carriers is inappropriate. Such price distortions are the antithesis of the competitive market that the Telecommunications Act of 1996 was intended to promote. They are also inconsistent with the "a minute is a minute" approach that the Commission has embraced in other contexts.

Access charges established at the proper cost level should not unduly constrain use of the Internet or other information services. Indeed, usage charges at the proper level should encourage an economically appropriate level of usage and should help alleviate the congestion that is now associated with users who remain connected over long periods

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<sup>14</sup>An audio tape demonstrating this technology is available for the Commission.

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of time, even when not actually using the system.

**Conclusion**

Access charge reform is as important to rural areas as it is to urban areas. The Commission should proceed to access charge reform for non-price cap LECs promptly. The Commission should also not take any action in this proceeding that would increase charges to users of access from non-price cap LECs.

Access charges should be applied to information service providers as soon as access reform is complete. Exempting information service providers is economically inefficient and promotes unfair competition.

Respectfully submitted,

GENERAL COMMUNICATION, INC.



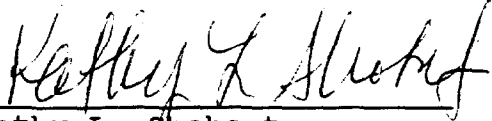
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January 29, 1997

**STATEMENT OF VERIFICATION**

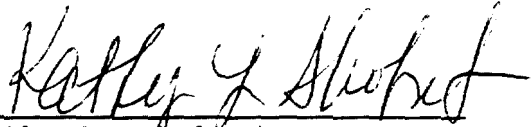
I have read the foregoing, and to the best of my knowledge, information and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct.

Executed January 29, 1997.

  
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**CERTIFICATE OF SERVICE**

I, Kathy L. Shobert, hereby certify that true and correct copies of the proceeding comments were served by first class mail, postage prepaid to the parties listed below.

  
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